

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-2783/P3dn
TKK:wlj:jf

October 1, 2007

To Senator Sullivan and Representative Jeskewitz, Joint Legislative Audit Committee Cochairs:

This draft is offered in response to the committee's instructions at the July 26, 2007, meeting of the Joint Legislative Audit Committee Working Group on Economic Development. Please review the draft carefully to ensure that I have accomplished the intent of the committee. I have the following comments and questions, *in italics*, for your consideration:

1. Programmatic goals for economic development grant and loan programs administered by departments, authorities, and independent agencies, including Commerce.

The draft requires Commerce and the following state entities that administer economic development grant and loan programs to establish programmatic goals and require more detailed reporting and accountability measures for these programs: 1) University of Wisconsin System; 2) Department of Agriculture, Trade and Consumer Protection; 3) Department of Natural Resources; 4) Wisconsin Housing and Economic Development Authority; 5) Department of Tourism; 6) Technical College System; and 7) Department of Transportation.

The bill does not define "economic development grant or loan program." However, the bill does require the seven entities to work in consultation with Commerce to establish these goals.

Is that acceptable, or did you wish to establish a definition for an economic development program?

2. Repeal of s. 20.143 (1) (ig), appropriation for gaming economic development and diversification; repayment. This draft repeals s. 20.143 (1) (ig) because, with the elimination of ss. 560.137 and 560.138, there are no longer any appropriations made under this section. I did not, however, redirect the repayments of grants and loans made under ss. 560.137, 2005 stats., and 560.138, 2005 stats.

To what appropriation should these repayments be directed?

3. Employee skills training. The committee directed me to direct Commerce to consolidate three employee skills training programs under s. 560.155: the minority

business employees skills training program, the rural business employees skills training program, and the business employees skills training program. These are not separate programs under the statutes, but were created by Commerce under the authority granted in s. 560.155. To accomplish this consolidation, I withdrew authority from Commerce to consider factors, other than those factors identified under current law, in the awarding of grants under this section.

Okay?

4. Brownfields.

a. The committee directed me to consolidate into one program the two brownfields programs administered by the Department of Natural Resources. On August 6, Senator Roessler submitted an e-mail that raised some concerns about the implications of consolidating two programs with two different funding sources, and the committee elected to eliminate this consolidation from consideration. For that reason, these two DNR brownfields programs were not treated in this draft.

b. The committee directed me to consolidate two Commerce-administered brownfields programs: the community development block grant administration under s. 560.045 and the brownfields grant program under s. 560.13. These two programs also have different funding sources and serve different purposes with different eligibility criteria. For that reason, I took no action on this consolidation.

Okay?

5. Development and enterprise zones. The committee directed me to follow “Option E” (make no change) outlined in the Audit Bureau’s “Legislative Options” document. However, the committee also instructed me to require that two-thirds of the remaining tax credits be awarded to businesses locating or expanding in economically distressed areas and to define “economically distressed.” I have several questions about this instruction:

a. I proceeded under the assumption that the committee wanted the two-thirds requirement to apply only to those development and enterprise zones programs that require the department to consider economic distress under current law: 1) the development zone program; 2) the enterprise development zone program; 3) the enterprise zone program; and 4) the airport development zone program.

Is that a correct assumption?

b. Definition of “economically distressed”.

The definition of “economically distressed” follows:

560.70 (2g) “Economically distressed area” means an area that satisfies all of the following:

(a) The area has an unemployment rate of at least 5.6 percent.

(b) At least 9 percent of the population in the area has family income below the poverty line established under 42 USC 9902 (2).

Are you comfortable with the definition of “economically distressed area” in proposed s. 560.70 (2g)?

6. Consolidation of minority business grant and loan programs: direct payments to persons providing technical assistance to grant or loan recipients.

Under current law, Commerce may contract directly with persons providing technical or management assistance to the recipient of an early planning project grant. Current law limits early planning project grants to “eligible recipients,” defined under current law as individuals who are minority group members and residents of this state.

This draft permits the Minority Business Development Board to award early planning project loans as well as grants, retains the definition of “eligible recipient,” and permits the board to contract directly with persons providing technical or management assistance to the eligible recipient.

Did you wish to permit the department to contract directly with persons providing technical or management assistance to the recipient of any grant or loan awarded under section 560.82?

These grants and loans consist of all of the following:

- a. Early planning project grants and loans.
- b. Eligible development project grants and loans.
- c. Revolving fund grants and loans.

I look forward to working with you on this draft.

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